

SUMMARY OF COMMENTS BY COL. GREEN (DEFENSE) ON SECTOR APPROACH

1. The issue is to provide a realistic basis for strategic controls on free-world trade with the Soviet Bloc. Such a basis must be addressed (a) to weakening the ability of the Bloc to initiate an aggressive war and (b) to impeding Communist penetration of free-world economies in "time of peace." The assumptions underlying a new approach to strategic trade controls then should be (a) the maintainence of a defense establishment superior to the potential combative strength of the Bloc and (b) the generation of public/political support for a strategic trade controls program.

2. There has never been an attempt at an agreed COCOM definition of "strategic trade" and, in practice, any concepts which have commanded some measure of agreement, have been progressively limited by the adoption of more and more restricted criteria. The effect has been not only the erosion of the COCOM list but the practical elimination of an effective China list based on such "clearly demonstrable objectives" as the retardation of Chinese industrialization.

3. A realistic trade control program must be addressed to maintaining the "margin of free-world advantage" in terms of defense capability vis-a-vis the Soviet Bloc. To illustrate this margin, e.g., in the "electric power equipment" sector, Defense will refer to the assistance given by the government to the US electric power industry for defense reasons. They point to

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the 20,000 tax amortization certificates issued to that industry by ODM over the past five years for construction totaling in value \$33 billion. Col. Green argues that it does not make sense to allow these defense write-offs to enhance the US strategic position while allowing other free-world countries to strengthen the Bloc by trade in exactly the same strategic sector.

4. Defense envisages that an appropriate sector approach will result in the progressive revitalization of the lists and that there will be limited opportunities for adding items not presently covered on the lists. For example, in the electrical power sector Defense would add to the list such items as heavy boiler plate since in thickness and industrial-production requirements it is similar to heavy armor plate and thus has a "dual strategic use".

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